FOREIGN AGRICULTURE

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Dutch Texel sheep.

Outlook for U.S. Farm Exports

Iran Ups Farm Imports

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In this issue:

2 U.S. Farm Exports Will Remain Strong During Fiscal 1975

4 World Agricultural Output Levels Off During 1974

6 Petroleum Income Spurs Iran's Agricultural Imports and Output By Michael E. Kurtzig

8 The Reseller: Risk Taker for U.S. Agricultural Trade By Peter B. Pauli

10 Egypt Steps Up and Diversifies Imports of U.S. Farm Products By John B. Parker, Jr.

12 Texel Breed Is Backbone of Netherlands Sheep Industry By John A. Williams

14 Australia's Honey Crop, Exports Down, Rise Expected in 1974-75

17 Crops and Markets

This week's cover:

The Texel is bred primarily for meat and is the backbone of the Netherlands sheep industry. See article beginning on page 12.

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"Concern with supplies has not dulled U.S. pursuit of a more liberal agricultural trading system," according to David L. Hume, FAS Administrator, who also predicts—

U.S. Farm Exports Will Remain Strong During Fiscal 1975

HIGH PRICES are expected to give the United States an agricultural export return in fiscal 1975 greater than the record $21.3 billion of fiscal 1974, despite a decline in export volume. But in contrast to the last quarter of a century, when management (and disposal) of surpluses was the dominant theme in international trade policies, the new and dominant theme has become the question of short supply.

The November World Food Conference, the proposed World Food Council, the meeting in Rome late last month of grain exporting and importing countries—all of these multilateral efforts now focus on access to supply: how to get more and how to distribute it.

So does the United States voluntary prior approval system for export sales, which was begun in October 1974 to assure ample supplies at home while meeting as fully as possible the needs of customers abroad. Export levies in Europe, controls in Brazil, embargoes in one country and another are also addressing the problem of supply.

The change—the tight supply situation induced by the worst weather in 30 years in this country and more problems elsewhere—has forced some adjustments in the United States traditional freewheeling approach to agricultural trade. Although they have been made reluctantly, the adjustments are helping the United States come through a difficult period without so far resorting to mandatory, across-the-board export controls, still working with a clear conscience for more liberal agricultural trade and with U.S. agricultural exports very much alive and well.

The United States believes in assisting countries that cannot meet their food needs, both with direct relief and with technological help for long-term production improvement. That is why this country went to the World Food Conference and why it has provided about $25 billion in aid during the 20 years of the P.L. 480 program, 40 percent of the noncommercial food shipments to Bangladesh, and half the cost of the World Food Program over its 13-year life, to name a few contributions.

The Department looks upon these as transitional programs, moving to the ultimate answer, which is increased production and trade. With that philosophy, the Department's approach to the supply situation through the wet spring, the summer drought, and damaging fall frosts has been to avoid short-term solutions that looked attractive but could be cause for later regret, such as the unfortunate, though temporary, export embargo on soybeans in 1973.

Therefore, when this year's U.S. feedgrain and soybean crops began to deteriorate, Secretary Butz and representatives of Japan and the European Community—leading U.S. customers—sat down together to see how mutual needs could best be met with a minimum disruption of trade.

Consultations between representatives of the United States, Japan, and the EC have been continued from time to time to assess the supply situation and demand intentions.

The Japanese say they have placed all the orders for their estimated feedgrain and soybean needs for the current marketing year, and that they will probably wait for Southern Hemisphere harvests before buying any more should the need arise.

Petrus Lardinois, Agriculture Commissioner of the European Community, met for 2 days here with Secretary Butz last August pledging to do what he could to reduce EC feedgrain use, and they discussed progress when they met again in Brussels in November.

Adapted from the speech delivered by Mr. Hume on December 10, 1974, at the U.S. Department of Agriculture's annual Outlook Conference.

Late last month, Josef Ertl, Minister of Agriculture of West Germany, invited USDA to be represented at a meeting of German importers to assess the feed use rate and outlook.

USDA now estimates that Western Europe's grain import requirements for livestock feeding will be down sharply from last year's imports as a result of feeding less corn and more wheat, combined with an increase in their own grain production.

The sudden Soviet purchase of more grain than was believed consistent with orderly marketing of available supplies was resolved through consultations. The result was a reduction of 1 million tons in the grain sale.

To guard against unusually large and unforeseen purchases in the future without resorting to across-the-board export controls, USDA strengthened its weekly export reporting system with a prior approval arrangement for large export sales, effective October 8. Exporters were asked on a voluntary basis to obtain prior Government approval of these sales. The purpose was to assure ample supplies for U.S. consumers and at the same time to meet as fully and equitably as possible the current and bona fide consumption needs of foreign customers. We believe the system is working well.

Concern with supplies has not dulled U.S. pursuit of a more liberal agricultural trading system. This, in the end, will determine how well the world is fed, because market access—the chance to make a profit—is what leads farmers to make the investments in time, money, and energy that are needed to increase production.

A good example is this year, when strong export markets persuaded U.S. farmers to plant 8 million more acres than they had a year ago and 30 million more than 2 years ago. The difference in acreage may have made the difference between disappointment in this year's agricultural supplies and disaster.

To get the most out of the world's agricultural resources, farmers must have a reliable, smoothly functioning trading system to assure them that the markets for the food and fiber they produce will be there. For in the end, it is the market that determines whether the farmers' investment in production was justified.

Hopefully, a start can be made on such a system in the multilateral negotiations scheduled under the General Agreement on Tariffs and Trade. Passage of the pending Trade Reform Act in suitable form at the current session of Congress would mean the negotiations can start next spring.

Meanwhile, the United States has been chipping away bilaterally— persuading the European Community to remove its dairy export subsidies, challenging Canada's beef import quota system, pressing for liberalization of Japan's barriers to beef. Those are finger-in-the-dike exercises measured against the need for global adjustments in an interdependent world, but they are necessary to the maintenance and expansion of U.S. agricultural trade, and they will be continued.

It has not been easy, but the United States has its export doors open, and has worked to keep some market doors ajar that have been threatened with closing.

The result will be another excellent export year for U.S. farm products—in the neighborhood of $22 billion in value despite an expected drop of around 20 percent in volume.

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About three-fourths of the export value will come from grains and feeds, where we project a slight gain to $11.2 billion, and oilseeds and products, which are expected to gain some $600 million or more from last year to about $5.8 billion.

Here is what the prospects look like by commodity:

Wheat. With a record wheat harvest, the United States is estimating another big year in exports—somewhere between 27 million and 30 million metric tons, which compares to last year's 31 million tons.

World wheat production declined by about 4 percent from last year's record, and major U.S. competitor countries were affected the worst. Weather hurt both the quantity and quality of the Canadian crop and drought damaged the wheat being harvested in Argentina.

Other marketing factors include increased feeding of Western Europe's record wheat crop because of short world coarse grain supplies and increased wheat import requirements in South Asia, mainly in India, stemming from a poor monsoon.

Almost 5 months into the season, U.S. wheat exports have averaged an annual rate of just over 29 million tons.

Feedgrains. A world production decline of about 7 percent, a drop in world trade of 20 percent, and a decline in volume of U.S. exports of 37 percent summarize the feedgrain prospects for 1974-75.

U.S. exports are now estimated at 27.8 million tons, valued at $4.6 billion, as opposed to the record 43.8 million tons worth $4.7 billion exported last year. Some of this trade gap will be filled by shipments from competitor countries, which are estimated at 21.3 million tons, a gain of 36 percent from last year.

World production is estimated down about 42 million tons from last year's record, with more than 85 percent of that from the weather-reduced U.S. crop. High feed costs and worldwide inflation are reducing feedgrain demand, and a drop of 30 million tons in consumption is forecast, most of it in the United States but also in Western Europe and in some developing countries.

Soybeans. This year will once again be a banner year for the export of U.S. soybeans and products. Export value for the year currently is indicated at a record $5.1 billion, or 11 percent above last year's $4.6 billion, despite a decline in volume owing to reduced supplies.

The U.S. crop shortfall, which cut supplies by about 200 million bushels from last season, will be partly offset in world trade by increased availability of soybeans from Brazil, fishmeal from Peru, and oils from the Philippines and Malaysia. In all probability next year competition in world markets for oilseeds and their products and other related commodities will be stronger, with even greater U.S. availability expected than in 1974-75.

U.S. farmers were reminded this past season that they cannot control the weather. However, they can control the acreage planted. Of course, prices in relation to corn and cotton will be the primary factor in influencing soybean

planting in principal U.S. producing regions, but it is worth considering that the outlook for foreign demand for oilseeds and products continues strong, despite economic stress and the dismal profit picture for livestock producers. Add to that the increasing interest worldwide in soyprotein for human nutrition, and it seems reasonable to say that worldwide consumption of U.S. soybean products will continue to enjoy steady expansion.

Livestock and Products. Despite the global troubles in the livestock and meat industry, U.S. exports of livestock and livestock products will probably rank third in total value this year, at about $1.3 billion, compared to $1.57 billion last year.

The reduction comes largely from a cut of more than 40 million pounds in beef exports, and smaller quantities of live cattle, hides, skins, and miscellaneous products.

Canada's import quotas and the failure of Japan to announce a beef import quota for the second half of the Japanese fiscal year are expected to reduce the value of U.S. beef exports to just under $50 million from last year's $95 million.

However, the export value estimate for pork is slightly above that of last year. A sharp decline in shipments to Japan will probably be offset by increased buying in Canada and the Caribbean islands.

Variety meats should be up in volume but down in value because of a lower unit price; tallow and grease may approach last year's level. Live cattle shipments will be down.

Cotton. In contrast to most other commodities, world demand for raw cotton has dropped sharply from boom levels that prevailed last fiscal year. Weak demand has been compounded by accumulating stocks of unsold textiles and raw cotton, rising production costs, worsening inflation, economic slowdown, and tight credit. We do not expect demand for textiles, and thus for raw cotton, to improve significantly before mid-1975.

Increased competition from large supplies in competitor countries adds to the problem for U.S. exports, which are not expected to exceed 4-4.5 million bales, down over a million bales from last year's level of 5.7 million. However, the drop in value will be considerably less because much of the cotton being sold this year was sold forward at much higher prices than now prevail. Thus, returns may total just over $1 billion—not too far below last year's $1.3 billion.

Fruits and Vegetables. Fiscal 1975 promises to be a reasonably good year for U.S. horticultural exports with performance in the vicinity of last year's record $1.1 billion, making them the fifth most valuable export crop.

As in most other commodities, higher prices rather than volume will be the major factor. Consumer price resistance already is evident in the European canned fruit market, but in spite of that, sizable gains in export earnings are expected in other commodities. With another record crop, California almonds should continue as top dollar earner.

Tobacco. Tobacco export volume is expected to be slightly less than that of fiscal 1974, largely because of tight supplies, but price is expected to keep value about the same as the record $814 million total of last year.

Available supplies of flue-cured and burley, the principal U.S. types, have been reduced materially in the United States in recent years, and poor crops in some foreign countries have produced generally tight supplies and rising prices in world markets.

Declines in sales to some of the European markets will probably be largely offset by increases to major markets in Asia. Adequate supplies are the key to maintaining and possibly expanding to-

World's Agricultural Output Levels Off During 1974

WORLD AGRICULTURAL production—excluding centrally planned Asian economies—totaled about the same in 1974 as in 1973, in contrast to the uptrend of recent years. During the past two decades, production declined only in 1972. The lack of expansion in 1974 resulted primarily from decreased output in the United States, Canada, the USSR, and South Asia.

Both total and per capita agricultural production in the developed countries declined. Unfavorable weather in these countries at critical periods held grain production to lower levels than expected. Western Europe experienced widespread drought in March-June, and damaging rains in July, but still managed to increase grain output.

Canada and the United States had declines in 1974 in both total and per capita agricultural production. Australia and New Zealand's grain crops increased, and total agricultural production is up over 1973. South Africa's corn crop for the marketing year May 1974-April 1975 is more than double last year's drought-stricken crop, and its total production is well over the 1973-74 level.

Japan is reducing feedgrain imports in 1974-75 and has suspended beef imports because its real disposable income has fallen, the price of domestically produced beef has declined, and U.S. feedgrain prices are high and supplies tight.

Economic and monetary climates in the developed countries are generally depressed. Most developed countries are experiencing high unemployment rates and balance of payments deficits, owing mainly to the oil crisis, strikes, and inflation. Real Gross National Product for 1974 for the industrial nations as a whole is estimated to be about equal to last year's level.

Agricultural production in the less developed countries rose in calendar 1974, but per capita production declined. Agricultural production in developing Asia during 1974 probably was about 2 percent less than in 1973. Per capita production was down about 5 percent, although many countries in the region had increases.

Developing Asia's rice crop is now estimated at 101 million tons, a decline of more than 5 percent. Poor monsoon rainfall in India and flooding in Burma and Bangladesh extensively damaged crops.

Latin America's 1974 harvests are forecast to exceed the 1973 record by 4 percent. This increased production is expected to reduce regional import requirements below record 1973-74 levels and increase supplies of coffee, sugar, grains, and oilseeds available for next

bacco exports in the future.

Dairy and Poultry. EC import levies are the principal factor behind the forecast of a nearly 10 percent reduction in *poultry* exports, to $130 million. In *dairy*, it is a difficult call to make, but the recent increase in Commodity Credit Corporation stocks on nonfat dry milk indicates a substantial quantity could be made available for P.L. 480 programs. This could move U.S. dairy exports up from $65 million last year to about $150 million in fiscal 1975.

In terms of destination, USDA expects little change in shipments to Western Europe and Japan; declines to the Soviet Union, the People's Republic of China, and Latin America; and an increase once more in shipments to all of Asia and to Africa, the latter largely because of larger P.L. 480 exports.

Over the past year, there has been growing awareness among the world's nations and their people of interdependence—how no single country can make it alone in this last quarter of the twentieth century. This increased awareness has been reflected in the multilateral consultations on oil, U.S. bilateral meetings with major trading partners on grain and soybeans, and the World Food Conference and the undertakings that are expected to emerge from it.

These are good signs in a troubled world—and it is a troubled world, in part, because of this very discovery of interdependence. Each nation has found it needs this resource or that from another nation, and the realization hurts. How do we share these resources? Who gets what, and why and how?

Those are the questions to which answers will be sought in the GATT negotiations and in the actions to emerge from the World Food Conference.

No segment of society has a bigger stake in the outcome than American agriculture. The United States Government believes that trade—liberal trade in which goods are exchanged on the basis of production efficiency and consumer choice—holds the answer. Others see controls—on production, markets, and supplies—as the solution.

year's exports to world markets.

Indications point to improved agricultural production for most of Africa, with output estimated to be up about 4 percent.

In the centrally planned economies, the picture is mixed. The USSR experienced a decline in 1974 in total and per capita agricultural production. The total grain crop, including pulses, is estimated to be about 200 million tons, and Soviet imports of grain will total about 6 million tons, which could make the USSR a net importer of about 1 million tons.

The People's Republic of China expects a good grain crop in 1974, totaling about 250 million tons. Reports indicate a sharp drop in imports because of the adequate crop.

Agricultural production in Eastern Europe remains the same as last year. The corn harvest was reduced, but because of bumper wheat and barley crops, the total grain harvest will be down only slightly from the 87-million-ton record of the past 2 years.

Delegates to the United Nations' World Food Conference in Rome, November 5-16, adopted 19 resolutions. One of the major achievements of the Conference was to recommend a goal of 10 million tons of grain a year for food aid, beginning in 1975.

A wide variety of actual and potential transfer mechanisms could be used to achieve the 10-million-ton annual goal. of which bilateral food aid, such as the U.S. Public Law 480 program, is only one.

P.L. 480 shipments of wheat and rice are currently projected to exceed 3 million tons for fiscal 1975, more than in fiscal 1974, although that projection cannot be regarded as a commitment, since actual quantities are only decided on a case-by-case basis, in accord with agreements negotiated with other governments.

As a followup to the World Food Conference, representatives from potential donor and recipient nations will meet in coming months to reach agreement on methods to carry out needed grain transfers that cannot be made through normal commercial channels.

World prices are generally rising for agricultural commodities, with beef, cotton, and coffee notable exceptions. October sugar prices were at least 3.5 times higher than last year's prices and are likely to continue at record levels as long as reported stocks are low.

World grain (including rice) production is now estimated at 1,126 million metric tons, or roughly 4.5 percent below last year's level. This year's production shortfalls were concentrated in the United States, the USSR, and to a lesser extent, South Asia and Canada.

World rice production is also disappointing. It is approximately 4 million tons below trend, leaving most of Southeast Asia in a tight situation. Prices are high, reflecting the short supply.

For world oilmeal supplies, the major change since September is the further deterioration in the U.S. soybean crop. In addition, soybean production in Canada and rapeseed output in Eastern Europe suffered the effects of unfavorable weather in recent months.

World demand for meat has fallen in 1974, and producer prices in the European Community and the United States are below those of last year. High costs of feed and other inputs present a threat to the incomes of livestock producers. National policies to provide relief include meat import quotas in some of the larger meat consuming countries.

Milk production in calendar year 1974 in the world's major dairy regions should increase about 2 percent. In the United States, however, a significant increase in September's production and possible gains for October may not be enough to prevent a 1 percent decline for 1974's output from 1973.

World production of centrifugal sugar is estimated at 81 million metric tons (raw value) in 1974-75, based on weather conditions through October. This production would be slightly above last year's and would closely match estimated consumption.

World tobacco output in calendar 1974 is expected to total a little over the 10.4 billion pounds in 1973. Although the U.S. crop is up 13 percent, poor crops and low stocks in many foreign countries have resulted in generally tight supplies and rising prices in world markets.

World cotton production has risen steadily for the past three seasons, outpacing consumption. Production in the USSR, Pakistan, Turkey, and Mexico is up over last year, but declines are projected for the United States, Brazil, Egypt, and the Sudan.

Petroleum Income Spurs Iran's Agricultural Imports and Output

By MICHAEL E. KURTZIG
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NOW THAT soaring oil revenues have made it one of the world's richest nations, Iran is regaining the economic muscle it enjoyed in the days of the Persian Empire. One result is that its agricultural imports from the United States are rising to unprecedented levels and may hit over $600 million in fiscal 1975, conceivably making Iran one of this country's top 10 agricultural export markets.

Accounting for most of the import growth have been grains and oilseeds, reflecting the country's poor 1974 wheat crop and efforts to bolster a lagging livestock industry. Such agricultural development efforts—in combination with rising consumer demand for high-quality foods—should keep Iran's trade with the United States on the uptrend for some time to come.

In the meantime, Iran has suddenly emerged from obscurity to join the ranks of the leading importers of U.S. farm products. The anticipated trade gain for fiscal 1975 is more than triple the $183 million of U.S. farm products imported last year, which in itself was a doubling of the fiscal 1973 level. And the figure is more than 13 times the $45-million average for such imports during 1968-69/1972-73.

Purchases of U.S. wheat have accounted for the bulk of the trade expansion, rising from none in fiscal 1969 to 584,000 tons valued at nearly $100 million in fiscal 1974. For fiscal 1975, imports of U.S. wheat are seen jumping to around 1.55 million tons, valued at around $300 million, out of a total projected import of 1.8 million.

Iranian imports of U.S. corn have also grown dramatically. From nothing in fiscal 1969, they climbed to $3.6 million in fiscal 1973 and then tripled in a single year to $12 million in fiscal 1974. Likewise, imports of soybean oil jumped from just over $2 million in fiscal 1969 to over $34 million in fiscal 1974, and those of cottonseed oil climbed from less than $500,000 to about $4.3 million in this same period.

Also on the increase are imports of rice and barley—the latter to help satisfy the livestock industry's expanding feed needs. Iranian purchases of rice are pegged to show a 10-fold increase in fiscal 1975 to 350,000 metric tons; of this, 300,000 tons are seen coming from the United States, with a value of $165 million.

With levels of living likely to expand much more rapidly than the 7-percent yearly growth projected for agricultural output, Iran's need for such imports is likely to continue growing in the near future.

Feedgrains, for instance, will occupy an expanding trade role as the livestock industry undergoes modernization. Purchases of breeding cattle, needed to foster this development, already are being made, with some 600 head of U.S. Holstein heifers imported thus far in 1974. These are seen continuing on a regular basis over the next few years.

"Behind the trade expansion is the immense wealth that has accrued to Iran since the recent spiral in oil prices."

At the same time, the trade mix is likely to enlarge to include food items demanded by an increasingly well-off and sophisticated populace.

Behind the optimistic trade expansion is the immense wealth that has accrued to Iran since the recent spiral in oil prices. Iran's oil revenues in 1973 stood at $4 billion; this year they are estimated at over $20 billion—a bonanza exceeded only by Saudi Arabia's. But unlike Saudi Arabia and others of the sparsely populated oil producers, Iran must spend a good portion of this money on internal development.

Accordingly, the new Fifth Development Plan—released in August—has been revised upward substantially. Outlays originally set at $36 billion for a 5-year period have now been increased to $68 billion. Of this total, 6 percent will be spent on agriculture, with the goal of speeding up agricultural expansion to 7 percent a year from less than 4 percent in the recent past.

Although small in comparison to spending in some other sectors, the resulting $4.1-billion agricultural budget should generate substantial improvement. Major areas of emphasis are expected to include:

- Increased construction of irrigation facilities—vital to this nation where water shortages are one of the main bottlenecks to agricultural progress.
- Greater emphasis on livestock production, including the purchase of several hundred thousand breeding cattle over the next few years.
- Larger output of grains and other crops through use of high-yielding varieties and greater inputs.
- Additional incentives to farmers to adopt modern techniques and expand output. This would probably include a rise in farm prices, which heretofore have remained artificially low.
- Increased aid to agribusiness.

With money readily available for such changes, agriculture may finally move out of the economic backwaters in which it has been for several years now. This lagging position has come not so much because of lack of growth, but rather because of the explosive growth in other areas of the economy.

Between 1962 and 1967, for instance, agricultural output rose at an annual average rate of 4.6 percent—favorable compared to rates for other nations but not against the impressive growth then being made in Iranian industry. And the pace sagged further—to 3.9 percent a year—in 1968-69/1972-73, as lagging livestock production and drought-reduced crops further retarded agricultural progress.

Simultaneously, other sectors—particularly oil—were pushing the economy ahead at a 12 percent yearly growth rate. This growth accelerated to 14 percent in 1973, and it is estimated at 33 percent and 51 percent in 1974 and 1975. In fact, per capita gross national production in 1974 will stand some 132 percent above that for 1972.

The result is that agriculture today accounts for only about one-seventh of

Iran's gross national product, compared with one-fourth in the mid-1960's and 90 percent at the turn of the century. (And the gap will widen dramatically in the next few years.) Yet agriculture is still the mainstay of employment, providing jobs for just under half the labor force.

Unlike some of their counterparts in industry, these farmers have clung largely to traditional production patterns. Farming has continued to hinge around food crops, including wheat, rice, and barley and the cash crops of cotton, tobacco, sugarbeets, tea, and oilseeds. Livestock production accounts for slightly less than a third of the gross value of farm output and for about a seventh of the agricultural exports.

The resulting combination of a slowly rising farm production and a rapidly rising demand has led to periodic food shortages of meat, sugar, rice, eggs, and some early vegetables. These have aggravated inflation—now at about 20-25 percent a year—while encouraging import expansion. And with the huge oil income constantly being translated into higher incomes at home, such shortages are expected to continue.

Livestock. Despite booming consumer demand, livestock production has remained the laggard of Iranian agriculture, with animal numbers and meat and dairy output rising only slightly. As a result, the country has been forced to make increasingly larger imports of live animals, meat and livestock products, dry milk, cheese, and butter.

THE INDUSTRY is, nonetheless, highly important to the national and rural economies, providing the livelihood for over 3 million people.

Because of these factors, the Iranian Government's top agricultural goal is to expand production of meat, milk, and eggs. Toward this end a livestock development program has been launched, with emphasis on livestock improvement, research, extension, and animal health. Stress also is being placed on development of commercial agri-industrial complexes for meat and milk. Currently, a team from the United States is in Iran to help further pinpoint areas needing attention.

Reflecting ambitious hopes for this program, Iran's annual meat production is projected by the end of the Fifth Plan to more than double the 310,000 tons estimated for 1974. As part of this endeavor, Iran will attempt to import some 200,000 breeding animals—mostly dairy cattle—during 1974-78, with the Government picking up the transportation bill.

Left, arrival of purebred U.S. cattle in Tehran. To help upgrade its livestock industry, Iran plans to import 200,000 breeding animals in 1974-78. Below, spraying a field to kill weeds. Increased wealth from oil is allowing Iran to adopt up-to-date farm production techniques.

Grains. Wheat—grown on practically every farm in Iran—is the country's main food staple. It provides about half the caloric intake and a third of total farm income, yet production each year seems to fall further behind consumption.

Over the long term, wheat production in Iran has shown significant growth. But because of the country's tendency toward drought, production of this largely rain-fed crop varies markedly from year to year. After hitting a record 4.4 million tons in 1968, for instance, production skidded 14 percent to 3.8 million in 1971—this at a time when population was growing by over 3 percent a year and burgeoning oil income was causing demand to accelerate.

After recovering some from the 1971 shortfall, production again has plummeted—to an estimated 3.7 million tons in 1974, or 13 percent below original estimates.

As a result of lagging production in the face of a growing demand, Iranian

Continued on page 16

U.S. AGRICULTURAL EXPORTS TO IRAN
[In thousands of U.S. dollars]

Commodity	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
Wheat, unmilled	—	0	14,512	35,494	41,101	93,680
Rice, unmilled	—	—	—	2,315	13,781	12,411
Barley, unmilled	—	—	—	696	0	1,289
Corn, unmilled	—	15	824	1,224	3,558	11,931
Tallow, inedible	2,025	1,534	2,573	3,976	4,476	8,566
Soybean oil, crude	2,226	8,637	20,537	21,512	8,650	34,192
Cottonseed oil, once refined	473	3,635	431	3,477	1,580	4,334
Miscellaneous food preparations	—	1,385	1,650	2,366	1,515	2,284
Other agricultural exports	2,978	4,147	2,932	4,509	4,877	15,862
Total agricultural exports	7,702	19,353	43,459	75,569	79,650	183,260

The Reseller: Risk Taker For U.S. Agricultural Trade

By PETER B. PAULI
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EVEN BEFORE A U.S. export crop is harvested—and sometimes before planting—it may have been entirely sold in such distant places as Paris, Milan, or Tokyo. The vehicle for these transactions is the international resellers market,[1] which is to foreign trade what commodity markets are to domestic trade. However, here regulation is less, volume per transaction greater, and the participants strictly professionals in trading operations that help make foreign trade a workable, if confusing, business.

As with U.S. futures trading, the international resellers market allows actual buyers and sellers of commodities to transfer the potentially large price risks inherent in their business to those interested in gaining profits through speculation. It also helps equalize world prices while providing a continuous market, as opposed to the intermittent nature of actual imports. It does not, however, fit the accepted view of commodity markets.

One usually thinks of a market as having a physical location, like the Chicago corn market or the Memphis spot cotton market. While buyers and sellers in these markets may be widely dispersed in a physical sense, they agree to trade in futures contracts under the rules of the commodity exchange, which in many cases is regulated by the Commodity Exchange Authority of the U.S. Department of Agriculture.[2] Exchange rules establish the contract quantity, delivery month, grade, and quality (with stipulated price premiums and discounts) and delivery points.

Not so in the international resellers market. The participants are many and far-flung, with the more active ones headquartered mainly in Rotterdam, Hamburg, Paris, Geneva, Milan, Tokyo, and major market centers in the United States. But they have no central exchange or market, instead carrying out their business by phone or cable—day or night—from individual offices.

In U.S. futures markets a large volume of trade can take place before delivery. In fact, over the course of a year, the entire U.S. wheat crop may be traded four or five times, and a substantial "open interest" (total outstanding contracts) can develop at any one time. Also, before delivery most "buys" and "sells" offset each other so that physical delivery is seldom made against futures contracts in this country.

In the international resellers market, a similar trading operation is at work, with some contracts sold as many as 40 or 50 times before a cargo is actually delivered. And an original U.S. seller can also become a reseller—tying five or six knots in one of these strings. However, a much larger share of this trade results in actual delivery of a product. Also, such transactions differ from those on futures markets in that no money actually changes hands until a delivery is made, when there is an evening up of losses and gains down the line of traders handling a single contract.

Finally, reseller markets have no prescribed standard contracts, although there has been a tendency toward uniformity to facilitate overseas trading.

Contracts in Northern Europe usually include cost, insurance, and freight (c.i.f.) for delivery to Rotterdam, Hamburg, and other major ports. Quantities range from small lots of 100 tons to larger ones up to 10,000 tons.

Contracts with the Italian trade, on the other hand, are generally made in cargo quantities of 20,000-25,000 tons, free on board (f.o.b.) ports of origin. Origins are usually U.S. Gulf ports but frequently include U.S. Atlantic, Pacific, Argentine, and Australian ports, and—on soybeans—Brazilian ports.

A fixed price is generally given, although sometimes it is determined according to a formula in the contract. Payment is always made in hard currency. The country of destination usually is not named, although this has been altered some by the recently announced USDA system calling for prior approval of export sales of 50,000 tons or more per day to a single destination.

Because of the greater flexibility it offers, the reseller market has become increasingly active in recent years. This reflects the expanded regulation of U.S. futures exchanges at a time when world market conditions are increasingly uncertain. Wide fluctuations in commodity prices, ocean freight rates, and current exchange rates have made it necessary for traders to cover their transactions quickly. But limited trading hours, daily limits in price changes, and the small contract quantity (5,000 bushels or about 125 metric tons) sometimes make it difficult for exporters and overseas traders to hedge medium and large transactions in regulated U.S. futures markets.

Thus, the reseller market provides an escape valve—a way to reduce or offset potentially large price risks almost any time of the day or night and in cargo quantities.

Although private trading firms dominate the resellers market, they do not have exclusive domain. In fact, governments have become more and more involved on both the "buy" and "sell" sides of transactions. Except for Western Europe, Japan, and a few other countries, purchases of bulk grains and oilseeds are usually made by official or quasi-official agencies of foreign governments. (In Japan wheat is purchased by the Government Food Agency.)

Government entities usually purchase under import tenders open to the general trade, but there has been a recent trend toward negotiated purchases. They buy commodities directly from U.S. exporters and the marketing boards of other exporting countries; they also buy indirectly from resellers located in Europe and Japan, wherever they can obtain the best price and terms.

IN THE PAST year, in fact, governments of foreign importing countries have resold wheat and corn previously purchased from the United States and have also shifted delivery from one marketing year to the next. This is usually accomplished by price adjustment in a

[1] **The second in a series of articles on selling U.S. farm products in the world marketplace and how USDA keeps track of these sales.**

[2] **Futures markets in the United States will be regulated by the new Commodity Futures Trading Commission, effective April 21, 1975.**

contract already made or by a separate sale (of the current crop) and then purchase (new crop).

In addition to supplying foreign governments of importing countries, resellers also supply flour mills, feed mills, crushing plants, and other processors in the free market economies, including the United States. In fact, large private or cooperative firms may often have affiliated enterprises. Such enterprises may be broadly grouped as the trading arm (resellers) and the processing arm (end users). The trading arm may also supply other end users with whom it is not affiliated.

Moreover, in a string of transactions the final buyer often is a U.S. firm that sells to U.S. processors or other users before export delivery occurs. In this case, the commodity actually stays in the United States.

People sometimes say that the large number of transactions can only escalate prices to the end user. This argument assumes that each reseller can, and does, always add a margin to his cost when he sells. However, the same principles at work in domestic U.S. futures markets also apply here. When there are more buyers than sellers in a relatively free market, the price will usually advance, whether there are two or 20 sales on a particular cargo. But selling pressure and lack of buying interest will usually force prices down.

Also, other factors being equal, the 41st reseller of a cargo must compete, at a given point in time, with the first seller of another cargo.

In addition to providing a safety valve for reducing pice risks—and continuity to the world market between government purchases—the resellers market helps equalize prices in international trade. For comparable grade, quality, and delivery terms, it makes roughly equal, given adjustments for differences in ocean freight costs, prices c.i.f. Tokyo, Rotterdam, Dacca, Bombay, and those f.o.b. vessel Vancouver, B.C., Portland, and Houston. This facilitates trading by importing and exporting nations alike.

A SCENARIO IN THE INTERNATIONAL RESELLERS MARKET

The Scene: A corner of the marketplace

The Characters: New York exporter, Geneva reseller, Milan speculator, and Hamburg processor

PROLOGUE

Written in the third person, this fictional three-scene scenario is intended to give the reader a glimpse into trading of U.S. export grain. To set the stage: The New York exporter in September sold corn to the Milan speculator at $150 per metric ton and in November to the Geneva reseller at $155 per ton, with identical delivery terms for both—free-on-board vessel for December delivery at the U.S. Gulf. Both speculator and reseller are looking for buyers.

SCENE I

December 1, 3 p.m. Geneva time

Geneva reseller worries about his "long" position on corn contracts. He and his partner have bought more from the exporter than they have sold the Hamburg processor.

Geneva reseller receives a phone call from Milan speculator offering corn at $152 a ton, and the reseller —thinking it a bargain—buys. The speculator nets a profit of $2 per ton.

Geneva reseller still has more corn to sell than previously but now has averaged down in price and can offer better terms. He phones the processor in Hamburg and sells him corn for December delivery at $153 per ton. However, the processor reduces his usual order by 20 percent.

SCENE II

December 2, 10 a.m., Geneva time

Geneva reseller talks to his partner about their problem. They have contracts to buy corn at $155 per ton, while the Milan speculator is standing in the wings ready to sell more corn at $152. But they have not found buyers for it all at their asking price. The resellers' delivery deadline approaches.

Reseller calls the exporter—who grumbles at the ringing phone that awakens him at 4:00 a.m., New York time—and asks for an extension of his contract to January, for which he is willing to pay $1 more per ton. Exporter says this doesn't even cover his carrying costs but agrees anyway, muttering to himself, "Tokyo has a vessel arriving at the Gulf; maybe I can sell it to them in the morning." He crawls back into bed.

SCENE III

December 5, 10 a.m., Geneva time

Geneva reseller talks to his partner. They made $1 per ton on their sale to the Hamburg processor but lost it on the renegotiation with the exporter to gain a month's stay on delivery.

Then, the reseller reads an advisory newsletter on the feed market. Livestock numbers are declining; high corn prices are attracting substitutes. His partner observes there are no new world import tenders for corn—only wheat. They also note that the speculator in Milan has stopped buying corn from the exporter. With the market seemingly weak, they decide to go short on corn for February delivery; they sell to processors at a discounted price of $150 per ton more corn than they have bought with the thought that prices will drop further and they can buy the grain needed to cover their sales later at a lower price.

EPILOGUE

The scenario never ends. If the reseller and his partner are right, they will be able to make money on lower prices from the exporter in February, even though they now face a loss on their "long" position. If they are wrong, and prices turn up, their loss will be compounded.

Like the invisible rabbit, "Harvey," in the 1944 play by Mary Chase, the processor never appears on stage, or does he? Yet, as the only one who reflects actual demand for the corn, he is the central character in the play.

CRITIC'S REVIEW

The data generated by these trade operations (and the ones described

Continued on page 16

Egypt Steps Up and Diversifies Imports of U.S. Farm Products

By JOHN B. PARKER, JR.
Foreign Demand and Competition Division
Economic Research Service

THE EGYPTIAN market for U.S. agricultural products is continuing to expand vigorously, with value projected to reach $350 million this year—almost triple 1973's $123 million. In spite of recent credit arrangements under Title I of P.L. 480 that include $54 million for wheat purchases and $10 million for tobacco, about 80 percent of U.S. farm exports to Egypt this year will be for cash.

The commodity mix is also becoming more diversified—less dominated by wheat and corn. U.S. sales of vegetable oils, tallow, tobacco, animal feed, and processed foods to Egypt in the last half of this year will be at a much higher level than during January-June 1974.

At the level projected, the United States will supply almost half of all Egypt's $800-million worth of agricultural imports in 1974. About a fourth of Egypt's wheat and tobacco imports will come from the United States.

U.S. products will account for over three-fourths of Egypt's corn, cottonseed oil, and tallow imports. And a relative newcomer is on the threshold of the import scene—cotton—with the first large shipments of U.S. cotton to Egypt likely to begin in early 1975.

Imports of cotton from the United States signal a significant change in Egypt's trade policy. The goal of the policy is to bolster foreign exchange earnings in two ways.

First, Egypt can sell top grades of extra-long-staple (ELS) cotton for premium prices in Western Europe and Japan, while importing short-staple cotton from the United States or Brazil at about half the price. For instance, Liverpool prices for top grades of ELS cotton in the first 9 months of 1974 averaged $1.59 a pound, compared with 71 cents for U.S. Strict Low Middling.

Secondly, larger cotton supplies will enable Egypt's new textile factories to send more products to world markets.

Egyptian purchases of U.S. short-staple cotton are being facilitated by a $15-million Commodity Credit Corporation credit, approved October 23, which will enable Egypt to import some 60,000 bales of U.S. cotton. Additional imports are also likely in the coming year. Most imported cotton will be used to manufacture products for the domestic market, since expensive long-staple is not necessary for household goods, most hosiery, and various types of clothing sold in Egypt.

Damage from bollworms has reduced Egypt's cotton crop this year—following a 9 percent decline last year. This has shortened the supplies of ELS cotton available for export at attractive prices—from 333,000 tons in 1971 to less than 280,000 in 1974. Nevertheless, higher prices received for larger deliveries to Western Europe and Japan in early 1974 kept export value on the uptrend.

Eventually, however, the value of Egypt's textile exports might exceed the value of its raw cotton exports. The textile industry has expanded rapidly, while cotton production has not shown an upward trend for the past 5 years. According to Egyptian sources, textile exports could reach $100 million in 1974—up from $22 million in 1971. As a result cotton textiles have replaced rice as Egypt's second most important export item—trailing only cotton.

Raw cotton and textiles are not the only agricultural products enabling Egypt to increase its foreign exchange earnings. The most spectacular gain in farm exports in recent years has been in the horticultural field. Exports of fruits, vegetables, and jasmine products will approach $100 million in 1974—up from only $27 million in 1967. And high prices may enable Egypt to earn $80 million from exports of about 200,000 tons of rice in 1974.

Spurred by programs to boost farm exports, Egypt's total export receipts could rise from 1973's $1.1 billion to $1.6 billion in 1975. Capital inflows from oil-rich countries in 1974 for loans, investments, and grants are expected to exceed $1 billion. Foreign exchange reserves increased from $161 million in September 1973 to more than $600 million in September 1974.

The boom in agricultural imports is expected to continue as foreign exchange availability improves. Imports of U.S. farm products have moved steadily ahead since the beginning of 1973.

In fiscal 1974 (July 1, 1973-June 30, 1974), U.S. farm exports to Egypt reached $264 million—triple the $83.3 million in 1973. Exports of wheat more than doubled, and corn deliveries tripled. Only $3 million, or 1.1 percent, of U.S. food exports in fiscal 1974 were financed under P.L. 480, Title II.

Egypt's **wheat** imports are expected to exceed 3 million tons in 1974. Most purchases were made early in 1974 at last spring's attractive prices—$120-135 per ton—well below the current export price for U.S. and Canadian wheat of about $180-190 per ton. Government stocks are still less than 1 million tons, however.

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The United States and Sweden now supply most of Egypt's **tallow** imports which soared from 45,680 tons in 1970 to almost double that level in 1973. Underlying the rise are urbanization and better living standards that have increased demand for tallow use in soap manufacture. Imported tallow is also a component of cosmetics—an important Egyptian export item.

About a third of Egypt's 1974 **tobacco** imports are likely to be of U.S. origin. The People's Republic of China, Bulgaria, Greece, Turkey, India, and Iraq are also important suppliers. Tobacco imports are projected to reach a record 25,000 tons, about 50 percent above the average quantity imported during 1968-71 and almost double the value.

Processed food items are being imported in increasingly large quantities. Burgeoning demand is stemming from urbanization, fatter paychecks, increasing consumer buying power, an influx of foreign visitors and residents, and population growth that is outstripping farm production. High on the list of most wanted imports are canned meat, cheese, powdered milk, butter, and confectionery items.

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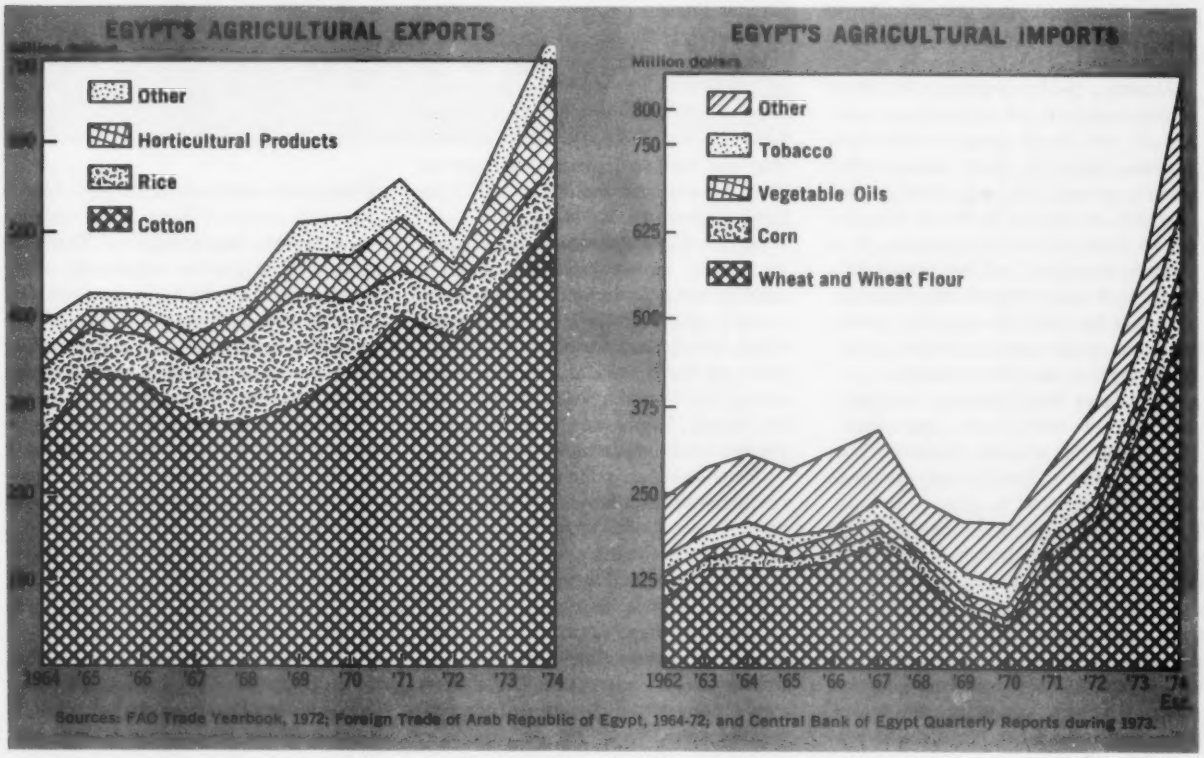

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1965	56,845	6,162	6,926	7,549	19,757	21,728	97,239
1966	104,526	154	14,448	7,889	10,831	27,850	137,848
1967	57,690	1,843	12,769	10,715	7,870	81,810	90,887
1968	1,459	1	921	5,438	2,474	10,196	10,293
1969	1	0	1,215	6,474	1,670	9,300	9,360
1970	1	2,595	11,543	9,143	3,670	26,952	26,952
1971	0	2,465	7,766	10,599	3,256	24,086	24,086
1972	1	3,195	26,277	13,226	1,825	44,524	44,524
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1974	129,720	52,205	44,321	31,139	3,577	260,962	263,932

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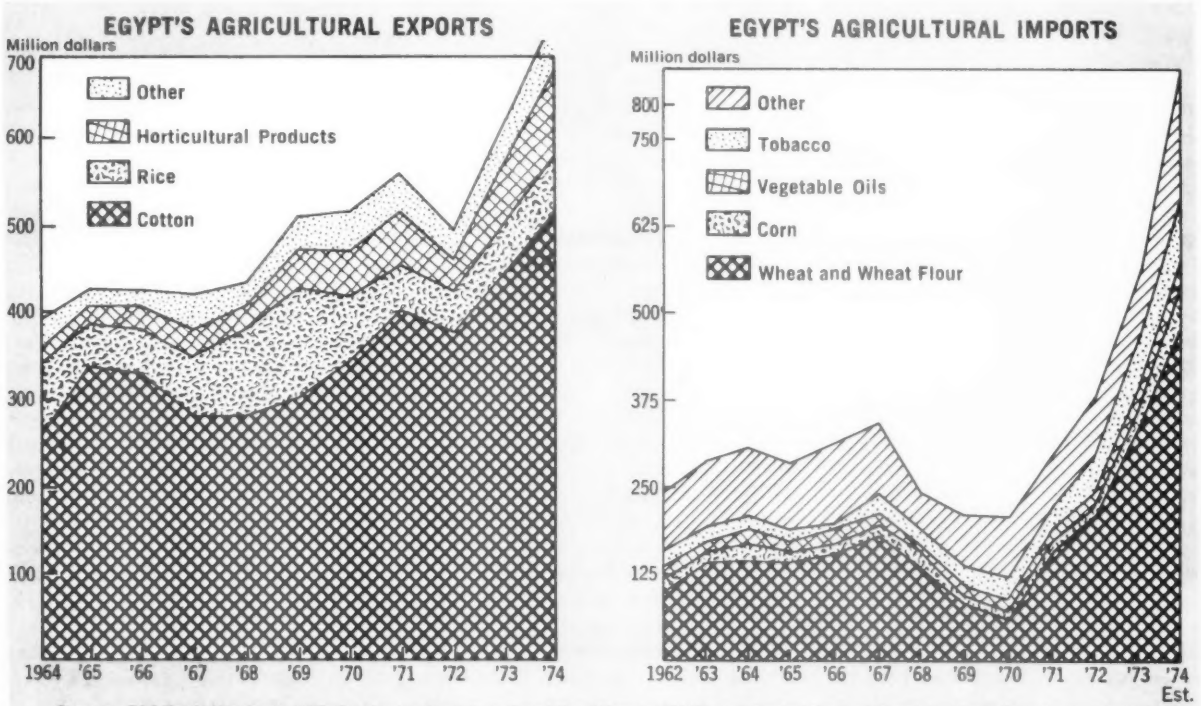

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Texel Breed Is Backbone of Netherlands Sheep Industry

By JOHN A. WILLIAMS
Assistant U.S. Agricultural Attaché
The Hague

THE NETHERLANDS is a producer and exporter of sheep meat and live animals, with the welfare of its sheep-raising industry depending largely on foreign trade.

The Texel breed is the Netherlands most important sheep for meat, and although Dutch output of this breed is relatively limited, live animal sales to South America have gained recently in importance.

During 1974, Netherlands sheep raisers expect to sell a significant number of live Texel sheep to Brazilian herders, following Texel sales to that country several years ago. Acclimatization tests are also being run in Uruguay on 18 Texel ewes and two rams. It is believed these tests will help boost sales of Texel sheep to other South American countries by demonstrating the breed's hardiness under severe climatic conditions and resistance to parasites.

Meat from Texel sheep is an important part of Netherlands meat trade, with about 95 percent of Dutch production of fat Texel lamb carcasses going to France.

The Texel breed, which serves as the foundation of the Dutch sheep-raising industry, is now the country's only remaining polder sheep. Of relatively recent development, the Texel is the product of extensive breeding of forerunners of the present Texel breed with foreign sheep. It is generally grazed on polderland, reclaimed from the sea and protected by dikes.

Total Dutch sheep numbers and mutton production have shown a general uptrend over the long term, although some year-to-year totals have shown short-term falloffs. In 1973, sheep numbers reached about 650,000 head, up from some 440,000 head in 1961. Mutton output climbed from an annual 1961-65 average of about 7,000 metric tons (carcass-weight equivalent) to 10,700 metric tons in 1972, but dropped 11 percent to 9,500 tons in 1973. Total mutton exports have also followed the same pattern, rising from about 5,000 tons in 1961 to 8,868 tons in 1972, falling to 8,287 tons in 1973.

Originally, sheep raising was concentrated in the Netherlands moors in the eastern part of the country where there were large tracts of land of low fertility, particularly in the Province of Drente. Sheep were run in flocks by day but were penned by night. The moorland sheep not only strengthened the region's economy—at least temporarily—by providing wool and other animal products, but also by providing manure that was used to improve the impoverished soils of the moorland region for crop production.

As more of the moorlands increased in fertility through the use of sheep manure and later commercial fertilizers, sheep keeping declined. The downward spiral was hastened when massive imports of South African, South American, and Australian wool cut into sales of Dutch wool—then the principal product of domestic sheep herds.

These changes in the country's sheep economy—particularly the drop in wool output—eventually caused a gradual, but clearly identifiable shift from wool to meat production. This in turn brought about a dislocation in breed importance—from moorland sheep, largely important for their wool, to polder sheep, better suited for meat production—and a change in sheep production areas.

FROM THE GENERALLY infertile eastern moorlands, sheep production moved to the rich polder areas in the west. Today only a few flocks of moorland sheep are left in the Netherlands, largely as tourist attractions.

To capitalize on the sale of sheep meat, Dutch sheep raisers began to cross polder breeds with various British breeds, particularly with Border Leicester, Leicester, and Lincoln sheep.

Initially, this program of cross-breeding produced a better meat animal; but subsequent and continuous cross-breeding with imported rams failed to produce further improvements. The progeny of the earlier crossbreeds were then crossed back with rams of the original breeds. Through a careful selection program, a new, independent breed with excellent meat qualities, now called the Texel, was achieved.

The first crosses with British animals to develop the Texel breed took place on the 44,460-acre Texel Island, southernmost of the five Friesian Islands in the North Sea. This was a unique situation because imports of foreign breeds had long been forbidden on the island to protect the purity of indigenous breeds.

Netherlands sheep are divided into four categories, depending on their major value. These are wool producers, wool-meat producers, meat-wool producers, and milk producers. Texels belong to the meat-wool category. They mature early, provide a considerable quantity of fine-quality wool, and ample milk for lamb rearing.

Texel sheep possess excellent qualifications of adaptability to new environments, hardiness and foraging efficiency, early maturity, good meat and wool production of high quality, and a high lambing percentage.

Their major disadvantages are that Texel ewes usually lamb only once a year; and the breed does not mix with

Far left, three prime examples of the Texel breed. Left, Texel sheep carcasses being graded for export. The Texel breed forms the backbone of the Netherlands sheep industry.

other sheep, nor do they move well in flocks.

Most Texel lambs are born in March when the weather along the Dutch coast is cold and wet. The newborn lambs spend only a few nights indoors; and as a rule, stay outdoors thereafter. The Texel breed is reportedly a good grazer and is not considered to be demanding in its feeding requirements.

Because of the frequency of multiple births and the vitality of the lambs, the lambing percentage per ewe is often 1.87 at birth, while the percentage reaching maturity is 1.66. Older ewes often bear twins, while triple-births are not uncommon.

The speed with which Texel lambs reach maturity was recently confirmed by a study involving 33 farms in seven Dutch Provinces. For 7 months, 329 rams and 417 ewes were weighed every 4 weeks from birth. Rams averaged 11 pounds at birth, rose to 99 pounds at 4 months, and reached a healthy 139 pounds at 7 months. Ewes ranged from 10 pounds at birth to 84 pounds at 4 months of age, and 115 pounds at 7 months.

Fleece production of Texel sheep is also excellent, averaging about 11 pounds per animal with a clean wool yield of 60 percent. In the Netherlands, wool quality is judged according to British standards, although it is indicated differently. Wool having a count of 52 and finer is called prime; of 50, first; and of 48, second quality. Wool from Texel sheep are usually classified in 52 and 50 categories.

Pedigree Texel breeding in the Netherlands is organized by Provinces, each keeping a register, with the exception of Limburg and North Brabant, which are combined. All Provincial registers are united under a national organization called the Central Bureau for Sheep Breeding in The Hague.

Most sheep in the Netherlands are raised on dairy farms to supplement producer income from dairy herds. No special procedures or equipment are used in the production of sheep. They are put on grass among or after the cattle, and summer pastures are managed for the benefit of the cattle, with the sheep playing a secondary role.

IN THE AUTUMN, after the dairy cows have been housed for the winter—they are protected from about November to April because of the Dutch weather and because little or no shelter is provided in the field—sufficient grass remains in the field to support the sheep without supplementary feeding. Thus the cost of raising sheep is minimal, they do not compete with the cattle, and help improve the turf by eliminating excess grass.

Approximately 80 percent of the lamb crop is slaughtered between 10 and 13 weeks of age, being sent to the slaughterhouse at the end of the grazing season. The remaining 20 percent is kept for breeding.

The five major sheep markets in the Netherlands are at Leiden, Purmerend, Leeuwaarden, Utrecht, and Sneek. Most lambs are sold on a per head basis, the buyer and seller agreeing on a live-animal price. Only COVECO, a large cooperative, which handles about 25 percent of the sheep sold in the Netherlands, has a scheme whereby farmers are paid on the basis of carcass quality. This co-op has one plant in Alkmaar, which processes all its purchases.

Sheep exports, both live and carcass, are under a control system, overseen by the Association for the Quality Control of Exported Sheep. All exporters must belong to this organization, and an inspection fee is charged for every carcass or animal shipped out of the country.

Little promotion is done to boost the sale of Texel sheep outside the Netherlands, although Dutch producers participate in the National Agricultural Exposition in France every March. No consumer promotion is done in the Netherlands.

Texel rams are able to produce progeny having good meat characteristics, even from ewes of inferior meat quality. This is one reason foreign buyers seek out the Texel breed to upgrade their flocks. Dutch breeders are also using Texel rams to breed with indigenous ewes of unsatisfactory meat quality. In most cases, domestic and foreign crossings are usually carried out by breeders in regions in which other sheep would have trouble foraging because of the lack of grass.

The results achieved with the 20 Texel sheep in Uruguay demonstrate the hardiness of this breed. Made available by the Dutch Ministry of Agriculture and Fisheries and a private Dutch organization, they are now located on a farm in Tacuarembó Province, where the natural foliage is of medium nutritional value. They have also been exposed to controlled worm contamination to determine their susceptibility or resistance to local parasites. Despite these hardships, the Texel sheep have

gained weight and borne lambs.

The first lambs were born in March-April 1972. The average weight of the ewes, then 2 years old, was 143 pounds. Twenty-eight lambs were produced by the 18 ewes, for a lambing average of 1.55 percent. Weight of the lambs at birth was 8.8 pounds; weight at weaning at 10 weeks was about 46 pounds. A second lambing within the year produced a lamb yield of 1.20. The 2.75 lambing percentage was said by a Dutch publication to be unequalled in South America at the time.

The Texel sheep in Uruguay proved to be capable of adjusting with ease to a difficult climate. The temperature in Amsterdam—when the sheep left by ship—was well below zero. Three weeks later they arrived in Brazil for offloading in the midst of a heat wave. Despite these hardships they arrived in Uruguay in good condition.

Purpose of the Uruguayan test—subjecting animals from a cold northern climate to the rigors of the tropics—is to determine the ability of the Texel breed to adjust to the working methods of the average Uruguayan sheep breeder. It may also upset the generally accepted view that a new breed can be introduced successfully into Uruguay only if costly provisions are made for their protection and top-quality grass is available.

Because France purchases such a large share of Netherlands lamb carcass exports, much attention is paid to the requirements of this market. Dutch exporters have learned that Parisian consumers prefer lightweight carcasses—weighing between 37 and 50 pounds—while the northern French market prefers carcasses weighing between 48 and 66 pounds.

The French are willing to pay a premium price for Dutch lamb meat because they get a fresh, high-quality carcass with an unusual degree of uniformity. Generally animals purchased in the Netherlands in the morning are slaughtered in the afternoon and frequently end up in French coolers by 4 o'clock the next morning.

September, October, and November are export months for fat lamb carcasses. During March and April suckling lamb carcasses are exported to the Paris market where consumers pay a better-than-average price. Carcasses for export are graded and sold by weight and quality.

Australia's Honey Crop and Exports Down, Rise Expected in 1974-75

AUSTRALIA'S HONEY production and export volume were markedly lower in 1973-74 than in the previous season. Production was down 17 percent from the previous year's relatively low level. The export drop was about 40 percent, preventing Australian exporters from taking full advantage of the strong world demand for honey. However, overall returns to exporters in 1973-74 remained at the high 1972-73 level because of sharply higher prices. (Split years indicate crop years beginning July 1.)

Outlook for the 1974-75 crop seems to be very favorable unless there is an extreme change in conditions. Native eucalyptus trees and flowering ground cover are expected to bloom heavily in most areas, and if production follows the pattern set earlier in the season, production should recover in 1974-75 and a good honey crop will be gathered. Exports are also expected to recover this season.

Flood-induced losses of bees during the 1973-74 season were fairly severe in some areas, particularly in New South Wales, and these may have caused 1974-75 output to remain below normal until colonies could be rebuilt—possibly as late as September or October. An early season crop estimate of about 41.8 million pounds has been set for 1974-75, although it could be somewhat conservative if climatic conditions are really favorable.

The export market in the 1974-75 season is expected to remain strong, although prices are unlikely to recover to the record high levels achieved at the end of 1973. Some buyer resistance in major export markets will tend to hold values at about those levels noted at the beginning of the 1974-75 season.

Production. Australian honey production during 1973-74 is now estimated at approximately 33 million pounds, significantly lower than the 39.9 million pounds recorded in 1972-73. Adverse weather conditions during most of the year, with excessive rainfall in major producing areas, are the apparent causes of the production dropoff.

In Victoria, the Red Gum Honey crop was a failure, while blossoms for other honey types were light. Although Tasmania had good seasonal conditions for its native trees and clover pastures, rains fell at the most inopportune times, and, consequently, honey flow was affected.

In New South Wales, the situation was even worse as rains and flood combined to cause reduced honey flow and heavy hive losses. Most honey producers believe the 1973-74 season was the worst the State has ever experienced.

Reported losses exceeded 2,500 hives, the bulk of which were washed away by the floods. In addition, the exceptionally wet weather prevented producers from moving hives from site to site, so they were unable to take advantage of honey flows in more favorable areas.

Foreign trade. Australian exports of honey during 1973-74 totaled an estimated 10.5 million pounds, compared with the 1972-73 export level of 17.6 million pounds. More honey could have been shipped during the early part of the year if supplies had been available, but toward the end of the season the market was fairly quiet because of exchange rate fluctuations and economic uncertainties in major markets such as the United Kingdom and Japan.

The United Kingdom remained Australia's No. 1 honey market, taking about 5.8 million pounds, with nearly half of this consisting of bulk light amber grade honey. This was a sharp fall from the honey shipments to this market in 1972-73, when the United Kingdom took nearly twice the 1973-74 quantity.

EXPORTS TO JAPAN were also significantly reduced from the 1972-73 level of over 2.2 million pounds, falling to 1.2 million pounds 1 year later.

In fact, most of the reduction in exports was accounted for by the lower shipments to the United Kingdom and Japan. The Honey Board made an effort to maintain reasonable shipments to most of the traditional small but nevertheless valuable overseas markets.

The outlook is that a larger volume of honey will be available for export in 1974-75. Domestic consumption

seems to have reached a plateau and is unlikely to increase significantly during the year. It is probable the exportable surplus during 1974-75 honey year will be about 17.9 million pounds.

Australian imports of honey during 1973-74 totaled 89,110 pounds, somewhat less than the quantity imported a year earlier. New Zealand and Hungary were the major suppliers, although small quantities also came from Greece and the People's Republic of China.

Because Australian consumption of honey has been fairly stable on a per capita basis during recent years, producers have looked to the export market for much of their revenue. Total domestic consumption in 1973-74 is now estimated at about 23.6 million pounds, about 2.1 million pounds less than in 1971-72. On the assumption that prices will remain relatively high, it may be expected that recovery in consumption will be slow. Domestic sales, therefore, are expected to stay at about the 23.6-million-pound level.

Overseas buyers reportedly held sizable stocks last year, but these may now be reduced. As a result prospects for increasing volume on world markets are uncertain. However, Mexico and Argentina, both important honey exporters, are believed to be retaining larger proportions of their crops to supply increasingly affluent domestic consumers. If this is true, it could open some of their markets to further penetration by Australia or some other exporting country.

Although inflationary pressures within Australia are strong at present, the rise in honey production costs is far less than the increase in net returns to beekeepers. Not only have they been able to absorb exchange rate fluctuations in overseas markets against the Australian dollar, but in terms of f.o.b. returns in Australian currency, the average unit price has more than doubled in the past 3 years.

The Australian Honey Board exercises control over all exports through a system of licensed agents, with 31 export licenses now on issue. Two officers of the Australian Department of Agriculture in each State act as agents for the Board, and are authorized to issue a Certificate of Authority to Export Honey for each shipment by a licensed exporter. In New South Wales, export permits are issued by the Honey Board staff in Sydney, where the Board's offices are located.

The Board is permitted to operate pools if the market needs support, but otherwise its powers are limited so that it does not infringe on commercial enterprise. Under special powers given to the Board by the Honey Industry Act of 1965, however, the Board may acquire honey from owners and sell either in Australia or overseas. It may also accept control of honey delivered to the Board for export against an advance payment. These powers are largely intended to achieve maximum returns for bulk exportable surpluses which the producer might have difficulty in shipping. However, each owner may withdraw

Continued on page 16

Slackening Demand and Unchanged Production Highlight 1974-75 World Cotton Situation

Virtually unchanged production prospects and the first drop in total consumption in 6 years characterize the world raw cotton supply and demand situation in 1974-75 (August-July). U.S. cotton production and consumption are expected to fall off, but this country's cotton stocks are expected to increase.

World production outlook is currently placed at 62.2 million bales (480 lb net), about the same as last season's; total consumption—now estimated at about 60 million bales—will be down 1 million.

Anticipated production reflects only a moderate acreage response to last season's high prices as well as an average yield that suffered not only from adverse weather in such major producing countries as the United States, India, Turkey, and Brazil but also from tighter supplies and higher costs of fertilizers and insecticides.

The marginal 1974-75 increase of 240,000 bales over the 1973-74 harvest results from an 825,000 bale boost in foreign non-Communist countries, an increase of 320,000 bales in Communist production, offset by a 905,000 bale reduction in the U.S. crop which, as of November 1, was forecast at 12.1 million bales.

The current downturn in economic activity, increasing unemployment, and chronic inflation have already begun to make inroads on world consumption.

The decline in consumption currently foreseen will take place mainly in the United States (down 900,000 bales to about 6.6 million) and in foreign non-Communist importing countries (down 800,000 bales to about 19.7 million). The drop is expected to be more acute in Asia, and several European countries are likely to be affected somewhat. Only among Communist countries is any increase in consumption currently being anticipated.

Additional features of the current marketing year will be an increase in world stocks as well as slight shifts in their location and a falloff in world trade that will be commensurate with the downturn in total consumption. World stocks on August 1, 1974, were placed at 25.8 million bales, up from 24.8 million a year earlier. The increase this season, to what is expected will be a level near 28 million bales on August 1, 1975, will occur as foreign non-Communist importing countries hold stocks at the 6.6 million bale level at the beginning of this season and stocks in the foreign non-Communist producing countries increase to a little over 9 million. More than half of the increase in stocks this season is expected in the United States, where the level on August 1, 1975, may be about 5.1 million.

World trade in raw cotton will reflect the current world textile recession and the generally more than adequate stocks of raw cotton in most consuming countries. A continuation of the downtrend from the 1972-73 export peak of 20.6 million bales is expected, placing this season's total at 18.6 million.

Current estimates place U.S. exports at 4.3 million bales, down sharply from last season's 6.1 million. Foreign non-Communist exports are forecast at 11.3 million bales, up from last season when export restrictions held their total well below potential levels, but some 700,000 below the 1968-72 average of 12.0 million bales.

Prices in the United States and abroad have receded almost 45 percent from their January 1974 peaks when quotations were just under US$1 per pound, and forward buying confidence in most markets continues to be undermined by the slackness of inquiries for yarn and textiles. Also softening the price outlook is the fact that available supplies from the major Northern Hemisphere 1974-75 crops are, for the moment, more than adequate to meet demand.

—By ROBERT TETRO, *FAS*

Iran's Farm Imports, Output

Continued from page 7

trade figures show wheat imports in the Iranian trade year soared to 900,000 metric tons—800,000 of them from the United States. For fiscal 1975, Iran has already purchased 1.8 million tons.

These large imports are in sharp contrast to the situation before World War II, when Iran was a net exporter of wheat. After the war, demand caught up with production, and the country soon became a net importer. By 1965, it was having to make sizable overseas purchases, and these needs have continued in most subsequent years.

To reduce this dependence on imports, the Iranian Government has moved to expand and modernize wheat production. Already, wheat acreage has been increased, and some progress been made in boosting yields through use of better cultural practices and more efficient inputs. The Government has, for instance, introduced an "impact program" (including agricultural materials and services to farmers) to improve production efficiency.

High-yielding varieties have also begun to play a significant role in production. The first sowings of high-response varieties were made in 1969, one of the new miracle wheats being Penjama 62—a seed developed from Mexican strains and imported from Turkey. Expansion was delayed by dry weather in the subsequent 2 years, so that total area sown to improved varieties was only 30,000 acres in 1969-70 and 321,000 in 1971-72. By 1974, however, the area sown to such varieties had risen to around 1.2 million acres.

Iran's goal is to expand its wheat acreage and productivity, on both irrigated and dry land, to the point where self-sufficiency might be achieved by the end of the Fifth Development Plan (1978).

However, working against realization of this goal is rapidly increasing consumption, which already is running at 5.4 million tons annually, compared with 4.95 earlier estimated and 5.3 million originally expected to be reached by the beginning of the 1980's.

Should Iran eventually reach self-sufficiency in wheat, it would probably begin to stress production of barley to meet feed needs of the expanding livestock industry. The only feedgrain grown in quantity, barley output in recent years has totaled around 800,000 metric tons.

The other major foodgrain in Iran is rice, production of which has not been able to rise much above 700,000 tons, milled basis. As a result, rice shortages have become increasingly common, and import needs have risen sharply. For 1974, production is again low—estimated at 740,000 tons, milled basis, and substantial imports, estimated at 350,000 tons, have already been contracted.

Australian Honey Crop, Exports Down

Continued from page 15

his honey from the Board's control if a better marketing opportunity arises.

Advance payment rates for each pool are about 80 percent of the export value of the honey, financed by the Reserve Bank of Australia under a Government guarantee. During the last 2 years the Board has handled little honey since both domestic and export demands were so strong that producers have had no problems disposing of their output on the open market. The small amount of honey that was still held by the Board at the end of 1973 was generally reclaimed by producers under their "option to repossess."

The Board is responsible for promotion of honey on both the domestic and export markets. It conducts its overseas publicity through the Overseas Trade Promotion Committee of the Department of Overseas Trade. It also maintains agents in the United Kingdom and Germany, and has a commercial representative in Japan. National domestic promotion is mainly handled through State Honey Industry Councils, which receive an annual allocation from the Board for this purpose.

These publicity and market development operations, together with the general administrative costs of the Board, are financed from levies imposed on both export and domestic sales. Financial data are not available for fiscal 1974, but the Board's income from slightly lower levies in 1972-73 was about $156,000. Expenditures during that year amounted to $194,300, mainly because of sharp increases in salaries and general administrative expenses.

The Board also provides some financing for research on the basis of a matching contribution by the Australian Government.

—Based on report from
Office of U.S. Agricultural Attaché, Canberra

Scenario, Resellers Market

Continued from page 9

in the first of the series, "The Export Reporting Puzzle—Unknown Destinations" December 9, 1974, give only clues about real foreign demand for farm products. Outstanding export sales reported by exporters and released in summary form by the Department in the weekly publication "U.S. Export Sales" give commodity analysts a snapshot view of the current contracting scene. By its very nature, this kind of data includes an open interest (or an inventory of sales) that may be offset by later purchases. Where the commodity eventually goes will depend on the relative needs of end users sometime prior to physical delivery.

Real export demand for U.S. farm commodities is determined by the needs of consumers abroad—their consumption habits, disposable income, and ability to pay; their choice as to origin of supply; and their willingness to accept substitutes or reduce consumption if they think the price is unreasonable. Often governments step in and—in various ways—help make these decisions for their own citizen-consumers. Whoever makes the decision, demand is tempered by their collective views of the supply situation and the market outlook.

—PETER B. PAULI
Export Sales Division, FAS

Record Soviet Cotton Crop

According to preliminary Soviet data, total Soviet seed-cotton production had reached 8.15 million tons by November 8, 1974. This is nearly 500,000 tons more than last year's total and a new record. The crop currently anticipated will yield about 2.73 million tons of lint or 12.5 million bales (480 lb net). This compares with about 2.59 million tons, or 11.8 million bales, from the 1973 crop.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Argentina's Wheat Estimate Reduced

Argentina's 1974-75 wheat crop estimate again has been lowered. Industry sources believe light rains in the drought stricken areas have come too late, and now are estimating 1974-75 wheat production at no more than 5.5 million metric tons. Drought has more than offset a 20 percent increase in wheat acreage. Argentine wheat production in 1973-74 totaled 6.6 million tons.

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Dec. 10	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	6.27	−23	6.20
USSR SKS-14	(1)	(1)	(1)
Australian FAQ[2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	6.19	−22	6.12
15 percent	6.31	−23	(1)
U.S. No. 2 Hard Winter:			
13.5 percent	5.96	−19	5.98
No. 3 Hard Amber Durum	7.97	−29	8.91
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	4.14	+8	3.40
Argentine Plate corn	4.43	+2	3.61
U.S. No. 2 sorghum	4.17	+5	3.30
Argentine-Granifero sorghum	4.32	+1	3.29
U.S. No. 3 Feed barley	3.84	−2	2.88
Soybeans:			
U.S. No. 2 Yellow	8.09	−15	7.14
EC import levies:			
Wheat	0	0	0
Corn	0	0	0
Sorghum	0	0	0

[1] Not quoted. [2] Basis c.i.f. Tilbury, England.
NOTE: Price basis 30- to 60-day delivery.

Canada Ups Producer Grain Payments

Higher initial cash grain payments will be paid to Canadian grain farmers for basic grades of wheat, barley, and oats delivered from the current grain harvest. Prices are retroactive to August 1, the beginning of Canada's crop year.

The Canadian Wheat Board reports that its initial payment for Canada Western Red Spring Wheat No. 1 will be raised to C$3.75 per bushel from C$2.25; for No. 2 Western Six-Row Barley to C$2.25 from C$1.65; and No. 2 Western Oats to C$1.20 from C$1.10. Increases in the initial prices for grades other than the basic ones will be announced separately. The price increases reportedly were made because the former initial prices did not adequately reflect current grain prices to the producer under the present buoyant market conditions.

Canadian Grain Crops Estimated

According to Statistics Canada, 1974 wheat production in Canada totaled 522.5 million bushels, down 14 percent from that of the previous year. Durum production was up by almost 10 million bushels, but production of spring wheat, at 441.9 million bushels, was 18 percent below the 1973 level. Canada's barley crop, at 394.3 million bushels, was down 16 percent, and oat production totaled 254.7 million bushels, representing a decline of 22 percent.

Argentina's Sorghum Area Estimated

Argentina's first official sorghum estimated for 1974-75 places the sown area at 7.58 million acres, down 1.5 percent from the previous year's level. Rains during the first 2 weeks of November will permit planting into December. Trade sources currently are estimating the area planted to sorghum will range between 7.9-8.1 million acres.

Flood Damage in USSR

Flooding that resulted from unusually heavy rainfall in the USSR—as much as 6 month's normal precipitation in some areas—has damaged grain and feed crops in the Western Ukraine and Southern Byelorussia. Soviet press reports indicate that tens of thousands of acres of winter grains, unharvested corn, sugarbeets, potatoes, and vegetables were flooded. Floods also damaged silage and haylage in trenches, as well as hay and other stored forage crops.

LIVESTOCK AND PRODUCTS

U.S. Red Meat Imports Down

Total U.S. imports of red meat for the first 10 months of calendar 1974 were 1,339.3 million pounds—down 17 percent from those of a year earlier. Included in this total are fresh, chilled, and frozen beef, veal, mutton, and goat meat subject to the Meat Import Law, canned and preserved meats, and "other fresh, chilled, or frozen" meats. Total imports for the month of October were 112.3 million pounds—down 45 percent from the level a year ago.

Imports of meat subject to the Law totaled 72.3 million pounds in October—down 52 percent from those for the previous year. Total imports of meat subject to the Law for the first 10 months of calendar 1974 were 880.8 million pounds—down 22 percent from the corresponding 1973 period. Principal suppliers continued to be Australia with 402 million pounds and New Zealand with 226 million pounds. Meat im-

ports for the balance of calendar 1974 are expected to continue under 1973 levels.

In addition to meat imported subject to the Law, 402 million pounds of canned and preserved meat were imported into the United States during the first 10 months of calendar 1974—down 4 percent over the same 1973 period.

Processed and canned beef and veal accounted for 131 million pounds of this total—up 2 percent from that of a year earlier. Argentina continues to be the major supplier of canned and processed beef and veal to the United States with 81.5 million pounds through October. Imports from Argentina for the corresponding 1973 period were 65.9 million pounds. Most of the increase in imports from Argentina continued to be in the category of corned beef.

Pork, processed or canned, accounted for 258 million pounds of imports during the 10 month period—down 7 percent compared with the year-earlier level. Principal suppliers continued to be Denmark, the Netherlands, Poland, and Yugoslavia.

Imports of "other meats, fresh, chilled, or frozen," totaled 56 million pounds for the first 10 months of 1974—down 30 percent compared to the first 10 months of 1973. This category is composed of fresh, chilled, and frozen pork and lamb meats. Major suppliers were Canada (fresh, chilled, and frozen pork) and New Zealand (fresh, chilled, and frozen lamb).

With the imposition of quota restrictions on certain Canadian imports, a reduction in several categories of meat products can be anticipated in coming months.

DAIRY AND POULTRY

Germany Increases Tariff On U.S. Turkey Rolls

The West German Finance Ministry recently approved an application by the U.S. Agricultural Attaché office in Bonn—supported by data supplied by U.S. turkey exporters—to keep U.S. turkey rolls to a bound 16.02 tariff position (processed meats and products) instead of the 16.01 (sausage) unbound position recently set by local customs officials.

The Attaché reports that trade was affected immediately as customs officials began to institute actions to collect from importers the difference between the actual duty paid under the bound position and the duty that would have been paid under the unbound position. Payments were to have been retroactive to the date trade in turkey rolls began.

However, actions against importers were ended when the Finance Ministry approved the Attaché's application.

Higher U.S. Egg Shipments To Canada Renew Demand for Quota

With the suspension of Canadian egg import quotas in mid-September, U.S. egg shipments have been increasing. Also since then, prices received by Canadian egg producers have risen somewhat, while U.S. egg prices have remained relatively stable. The increase in Canadian prices has apparently been enough to again encourage the northbound shipments of U.S. eggs.

U.S. eggs have been moving into the Provinces of Quebec and Ontario in recent weeks and complaints have been made to the Special Commons Committee investigating Canadian egg marketing. This has brought pressures from producers to reimpose quotas on eggs imported into Canada.

In the face of the increased imports, the Ontario Egg Marketing Board has reduced target prices by 10 Canadian cents per dozen during the past 2 weeks to a guaranteed price of 55 cents per dozen. As a result, Ontario eggs are reportedly moving into other Provinces, disrupting the Canadian Egg Marketing Agency's control of egg supplies, and creating a Provincial price war.

West Germans Eat Less Poultry

Per capita consumption of poultry meat in West Germany began to decline in 1973 and the trend is forecast to continue. Both domestic production and imports are expected to be lower in 1974. Poultry stocks continue to be high and the trade expects imports from the United States to be almost 30 percent lower during the second half of this year. This reduction resulted primarily from the recent sharp increases in European Community gate prices and levies.

SUGAR AND TROPICAL PRODUCTS

World Coffee Production Down

Total production of the 1974-75 coffee crop, at 79 million bags, reportedly will be about 1 million bags less than USDA's October estimate. Exportable production is currently estimated at approximately 58.8 million bags (132.276 lb each), down about 1.3 million bags from the previous figure. Exportable production represents total harvested production minus domestic consumption in the producing countries. It does not take account of stocks from previous harvests that may still be available in some producing countries.

These new estimates result from minor adjustments in a number of countries, based on recent information. Some small revisions have also been made in the estimates for 1973-74, which now are carried as 62.2 million bags total production, of which about 42.5 million bags were available for export from that crop.

More detailed information appears in *World Agricultural Production and Trade*.

India Expects Record Pepper Crop

India's 1974-75 (November-October) black pepper crop is expected to reach a record 40,000 metric tons, up 11 percent over the 1973-74 harvest of 36,000. Domestic consumption of pepper is estimated at 12,000 tons, thus allowing about 28,000 tons for the export market. World prices are currently at high levels—New York spot black pepper is at 93 cents per pound, compared with December 1973 prices of 60 cents per pound. India's export earnings from pepper should be up sharply, therefore, in 1975.

In 1973 India's pepper exports were a record 27,942 tons, and are estimated at 25,000 tons in 1974. Shipments during January-October 1974 totaled 22,300 tons, of which 7,000 were to the United States, 6,500 to the USSR, 4,000 to East European nations, 2,000 to Canada, and 1,500 to Italy.

India's pepper sales to the United States in 1974 have been good, reflecting smaller availabilities from Indonesia where a poor crop was reported. U.S. imports of black and white

pepper from India during the first 10 months of 1974 totaled 6,836 metric tons, valued at $9.2 million, up sharply from the corresponding 1973 period when imports were 3,847 tons valued at $4 million. Total U.S. black and white pepper imports from all sources during January-October 1974 were 22,616 tons, valued at $33.5 million, compared with 21,500 tons valued at $21.7 million for the same 1973 period.

Large Honey Stocks in Mexico

A larger honey harvest in 1974 has resulted in substantial honey stocks in Mexico. An official forecast places 1974 honey production at 84 million pounds compared with 73 million in 1973. Current unsold stocks of honey available for export are believed to total about 15 million pounds. Markets for this honey are being actively sought in the United States and elsewhere.

The production rise in 1974 resulted from more favorable weather and the increased availability of Government credit for beekeepers. The number of colonies in operation in 1974 officially is estimated at 1,950,000. Each colony is expected to yield 43 pounds.

FRUIT, NUTS, AND VEGETABLES

Australia's Fruit Pack Short

Australia's 1974 dried fruit output represents its second consecutive short crop. Production in 1974 now is estimated at 63,350 metric tons, 3 percent above the 1973 pack of 61,300 metric tons. Production of individual items in metric tons was: Raisins, 54,850; prunes, 2,850; apricots, 1,650; currants, 3,600; peaches, 200; and pears, 200. Heavy rains and high humidity seriously hampered drying conditions for all Australian fruit crops.

Australia is a major exporter of raisins and a minor exporter of other dried fruits. Calendar 1974 exports of raisins are forecast at 36,500 metric tons, 8 percent below the level of last year and exports of other items are expected to be small. Canada, New Zealand, Japan, and Europe are major markets for Australian dried fruit.

South African Pineapple Production

South African pineapple production during 1974 is expected to increase to 161,353 metric tons, 9 percent above last year's level. More favorable weather conditions are the principal reason for the increase.

Three-fourths of this year's total production will go to processors. The 1974 canned pineapple pack is expected to be 2.2 million standard cases, close to last year's level. Exports, however, are estimated at 2.1 million standard cases, almost 10 percent below those of 1973. Major cost increases in the canning industry and the economic climate in South Africa's traditional export markets are the main reasons for the export cutback.

Although early conditions indicate 1975 production may approximate the present pack, cost increases are expected to cause problems in the new season. Freight rates and the cost of cans have risen dramatically. A 27 percent increase in the price of cans will mean an increase of R8 million (US$11.4 million) for the whole local canning industry.

A rebate to canners from the South African Sugar Association is scheduled for reconsideration next year and a small increase in the price of sugar to canners is expected. The canning industry, however, feels the increase will not be too severe, as the sugar industry would like to keep a strong local market in case of easing world sugar prices.

Portugal's Tomato Paste Estimate Down

Current estimates place Portugal's tomato paste output at 110,000 metric tons for 1974, about 28 percent below the previous year's level. This estimate is lower than the previously revised forecast of 120,000-130,000 metric tons. Reports indicate that export sales of paste are slow because importers are carrying about a month's supply of stocks or less due to shortage of working capital. However, higher export sales are expected in January.

COTTON

U.S. Cotton Exports Down in October

U.S. raw cotton exports in October totaled 120,000 running bales, 53 percent below the October 1973 level. Cumulative August-October shipments this season totaled 507,000 bales, down 41 percent from the corresponding period in 1973. The light movement continues to reflect tightness of supplies normally experienced during this period combined with continued freight rate uncertainties and the delayed opening of letters of credit by some buyers. The continued general depressed mood in textile and raw cotton markets also was a factor.

October shipments to European destinations at 35,600 bales dropped 3 percent below the year-earlier level. Total exports to the region for the first 3 months this season registered a decline of 32 percent from the same period in 1973.

Asia and Oceania destinations took 65,000 bales in October and accounted for 65 percent of total U.S. exports to all regions during the month. Total October shipments to Asia and Oceania dropped 65 percent below those of a year ago and cumulative exports through October of this season totaled 328,000 bales, down 49 percent.

Exports to Africa and the Middle East, at 11,000 bales, posted a tenfold increase over the low shipments for the same month last season. With Nigeria taking 58 percent of the 3-month total, August-October exports this season at 43,000 bales exceeded year-ago levels for the period by 37,000 bales.

At 17,200 bales, U.S. exports to Western Hemisphere countries in October declined 47 percent from a year ago. August-October shipments at 30,200 bales, accounted for almost entirely by exports to Canada, were 33 percent below the 1973 cotton export level.

Other Foreign Agriculture Publications

• World Cocoa Bean Production To Be Up Slightly in 1974-75 (FCB 2-74)

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Definition of Terms in Canadian Meat Quota Ruling

President Gerald Ford's proclamation of November 16 imposed quotas on certain livestock and livestock products imported from Canada. USDA has issued the following additional information about the restrictions.

In general, the tariff categories subject to the U.S. import quotas are live slaughter and feeder cattle, beef and veal (fresh, chilled, frozen, prepared, or preserved), live slaughter hogs, and pork (fresh, chilled, frozen, prepared, or preserved).

The live animal tariff categories are divided into various tariff classifications representing feeder cattle of different weights, as well as animals for slaughter. All of these animals are subject to quotas.

Breeding cattle are exempt when they meet the criteria for this type of animal established in U.S. Tariff Schedules. The tariff schedules used describe breeding cattle "as being purebred of a recognized breed and duly registered in a book of record recognized by the Secretary of Agriculture for that breed." The key words in this definition are "purebred" and "registered."

According to Federal Regulation CFR Title 9, Part 151, the following are recognized by the Secretary of Agriculture and are breeds exempt from quota restrictions: Aberdeen Angus, Africander, Alderney, Ayrshire, Devon, Dexter, Belted Galloway, Galloway, Guernsey, Hereford, Highland, Holstein-Friesian, Jersey, Kerry, Lincoln Red, Red Danish, Red Poll, Shorthorn, South Devon, Sussex, and Welsh. In addition, the United States recognizes the Canadian herd book of record for Brown Swiss and the Canadian breeds.

Somewhat less complicated are the beef and veal categories (fresh, chilled, frozen, prepared, or preserved). All bone-in or nonbone-in beef and veal in the fresh, chilled, and frozen stages must be entered into the United States under the quota system. In addition, all portion-controlled, prepared but uncooked beef and veal cuts valued at over 30 cents per pound, c.i.f. (cost, insurance, and freight), and frozen, cooked, or preserved items—such as beef sticks and dried beef—also must enter under the quota.

Items not included in the quota restrictions are beef and veal offal, beef sausages, canned corned beef, beef extracts, pickled and cured beef and veal, and other prepared beef valued at 30 cents per pound or less.

As in the case of cattle, all live hogs for slaughter or feeding are subject to a quota restriction. The sole exception is hogs imported as breeding animals. The definition of a breeding hog parallels that for breeding cattle. According to the pertinent Federal regulation the following breeds will be exempt from quota restrictions: Irish Large White, Berkshire, Gloucestershire, Large Black, Large White, Middle White, Tamworth, and Wessex Saddleback. The United States recognizes the Canadian book of record for the following hog breeds: Chester White, Duroc-Jersey, Hampshire, Lacombe, Poland China, and Yorkshire.

In the category of pork products (fresh, chilled, frozen, prepared, or preserved) there is little room for confusion. All pork products must come under quota restrictions except items classified as pork sausages.

Of considerable importance in the President's document is a paragraph that specifically sets quantities under the quota program. According to the proclamation, one-twelfth of the annual quota for the four categories—live cattle and hogs, pork, and beef and veal products (fresh, chilled, frozen, or preserved)—was allowed to enter the United States during the 30-day period commencing November 16, and ending December 15, 1974.

The 30-day quota restrictions for the four categories were 1,417 head of live cattle, 1,417 million pounds of beef and veal, 4,167 head of live hogs, and 3 million pounds of pork products.

The President's action was taken under Section 252 (a) of the Trade Expansion Act of 1962 in an effort to obtain removal of the quotas imposed by Canada last August on U.S. slaughter cattle, beef, and veal moving to the Canadian market. The Trade Act permits the President to impose duties or other import restrictions on farm products of any foreign country "maintaining unjustifiable import restrictions against U.S. agricultural products which impair the value of commitments made to the United States, oppress the commerce of the United States, or prevent the expansion of trade on a mutually advantageous basis."

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